

# The Fast Forward MBA in Finance

SECOND EDITION

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<b>PREFACE</b>	xiii
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## **PART 1 FINANCIAL REPORTING OUTSIDE AND INSIDE A BUSINESS**

<b>CHAPTER 1—GETTING DOWN TO BUSINESS</b>	3
Accounting Inside and Out	4
Internal Functions of Accounting	6
External Functions of Accounting	6
A Word about Accounting Methods	8
End Point	9
<b>CHAPTER 2—INTRODUCING FINANCIAL STATEMENTS</b>	11
Three Financial Imperatives, Three Financial Statements	11
Accrual-Basis Accounting	13
The Income Statement	16
The Balance Sheet	18
The Statement of Cash Flows	21
End Point	24

<b>CHAPTER 3—REPORTING PROFIT TO MANAGERS</b>	27
Using the External Income Statement for Decision-Making Analysis	27
Management Profit Report	31
Contribution Margin Analysis	35
End Point	36
<b>CHAPTER 4—INTERPRETING FINANCIAL STATEMENTS</b>	39
A Few Observations and Cautions	39
Premises and Principles of Financial Statements	41
Limits of Discussion	46
Profit Ratios	47
Book Value Per Share	49
Earnings Per Share	51
Market Value Ratios	53
Debt-Paying-Ability Ratios	55
Asset Turnover Ratios	58
End Point	59
<b>PART 2</b>	
<b>ASSETS AND SOURCES OF CAPITAL</b>	
<b>CHAPTER 5—BUILDING A BALANCE SHEET</b>	63
Sizing Up Total Assets	63
Assets and Sources of Capital for Assets	66
Connecting Sales Revenue and Expenses with Operating Assets and Liabilities	69
Balance Sheet Tethered with Income Statement	75
End Point	76
<b>CHAPTER 6—BUSINESS CAPITAL SOURCES</b>	79
Business Example for This Chapter	80
Capital Structure of Business	81
Return on Investment	86
Pivotal Role of Income Tax	89
Return on Equity (ROE)	91

Financial Leverage	92
End Point	95
<b>CHAPTER 7—CAPITAL NEEDS OF GROWTH</b>	97
Profit Growth Plan	98
Planning Assets and Capital Growth	99
End Point	105
<b>PART 3</b>	
<b>PROFIT AND CASH FLOW ANALYSIS</b>	
<b>CHAPTER 8—BREAKING EVEN AND MAKING PROFIT</b>	109
Adding Information in the Management Profit Report	109
Fixed Operating Expenses	112
Depreciation: A Special Kind of Fixed Cost	113
Interest Expense	116
Pathways to Profit	116
End Point	122
<b>CHAPTER 9—SALES VOLUME CHANGES</b>	125
Three Ways of Making a \$1 Million Profit	126
Selling More Units	129
Sales Volume Slippage	133
Fixed Costs and Sales Volume Changes	134
End Point	136
<b>CHAPTER 10—SALES PRICE AND COST CHANGES</b>	139
Sales Price Changes	139
When Sales Prices Head South	144
Changes in Product Cost and Operating Expenses	146
End Point	148
<b>CHAPTER 11—PRICE/VOLUME TRADE-OFFS</b>	149
Shaving Sales Prices to Boost Sales Volume	150
Volume Needed to Offset Sales Price Cut	154
Thinking in Reverse: Giving Up Sales Volume for Higher Sales Prices	157
End Point	159

<b>CHAPTER 12—COST/VOLUME TRADE-OFFS AND SURVIVAL ANALYSIS</b>	161
Product Cost Increases: Which Kind?	161
Variable Cost Increases and Sales Volume	163
Better Product and Service Permitting Higher Sales Price	165
Lower Costs: The Good and Bad	166
Subtle and Not-So-Subtle Changes in Fixed Costs	169
Survival Analysis	170
End Point	177
<b>CHAPTER 13—PROFIT GUSHES: CASH FLOW TRICKLES?</b>	179
Lessons from Chapter 2	179
Cash Flow from Boosting Sales Volumes	180
Cash Flows across Different Product Lines	185
Cash Flow from Bumping Up Sales Prices	185
End Point	188
<b>PART 4</b>	
<b>CAPITAL INVESTMENT ANALYSIS</b>	
<b>CHAPTER 14—DETERMINING INVESTMENT RETURNS NEEDED</b>	191
A Business as an Ongoing Investment Project	191
Cost of Capital	192
Short-Term and Long-Term Asset Investments	195
The Whole Business versus Singular Capital Investments	196
Capital Investment Example	197
Flexibility of a Spreadsheet Model	206
Leasing versus Buying Long-Term Assets	206
A Word on Capital Budgeting	210
End Point	210
Chapter Appendix	211
<b>CHAPTER 15—DISCOUNTING INVESTMENT RETURNS EXPECTED</b>	213
Time Value of Money and Cost of Capital	214
Back to the Future: Discounting Investment Returns	215

Spreadsheets versus Equations	217
Discounted Cash Flow (DCF)	218
Net Present Value and Internal Rate of Return (IRR)	222
After-Tax Cost-of-Capital Rate	224
Regarding Cost-of-Capital Factors	226
End Point	227

**PART 5  
END TOPICS**

<b>CHAPTER 16—SERVICE BUSINESSES</b>	231
Financial Statement Differences of Service Businesses	232
Management Profit Report for a Service Business	234
Sales Price and Volume Changes	237
What about Fixed Costs?	239
Trade-off Decisions	239
End Point	241
<b>CHAPTER 17—MANAGEMENT CONTROL</b>	243
Follow-through on Decisions	244
Management Control Information	244
Internal Accounting Controls	247
Independent Audits and Internal Auditing	249
Fraud	250
Management Control Reporting Guidelines	252
Sales Mix Analysis and Allocation of Fixed Costs	262
Budgeting Overview	270
End Point	273
<b>CHAPTER 18—MANUFACTURING ACCOUNTING</b>	275
Product Makers versus Product Resellers	275
Manufacturing Business Example	276
Misclassification of Manufacturing Costs	280
Idle Production Capacity	283
Manufacturing Inefficiencies	285

# CONTENTS

Excessive Production	287
End Point	289
<b>APPENDIX A GLOSSARY FOR MANAGERS</b>	291
<b>APPENDIX B TOPICAL GUIDE TO FIGURES</b>	313
<b>INDEX</b>	315

This book is for business managers, as well as for bankers, consultants, lawyers, and other professionals who need a solid and practical understanding of how business makes profit, cash flow from profit, the assets and capital needed to support profit-making operations, and the cost of capital. Business managers and professionals don't have time to wade through a 600-page tome; they need a practical guide that gets to the point directly with clear and convincing examples.

In broad terms this book explains the tools of the trade for analyzing business financial information. *Financial statements* are one primary source of such information. Therefore financial statements are the best framework to explain and demonstrate how managers analyze financial information for making decisions and keeping control. Surprisingly, most books of this ilk do not use the financial statements framework. My book offers many advantages in this respect.

This book explains and clearly demonstrates the indispensable analysis techniques that street-smart business managers use to:

- Make profit.
- Control the capital invested in assets used in making profit



and in deciding on the sources of capital for asset investments.

- Generate cash flow from profit.

The threefold orientation of this book fits hand in glove with the three basic financial statements of every business: the profit report (income statement), the financial condition report (balance sheet), and the cash flow report (statement of cash flows). These three “financials” are the center of gravity for all businesses.

This book puts heavy emphasis on cash flow. Business managers should never ignore the cash flow consequences of their decisions. Higher profit may mean lower cash flow; managers must clearly understand why, as well as the cash flow timing from their profit.

The book begins with a four-chapter introduction to financial statements. Externally reported financial statements are prepared according to generally accepted accounting principles (GAAP). GAAP provide the bedrock rules for measuring profit. Business managers obviously need to know how much profit the business is earning.

But, to carry out their decision-making and control functions, managers need more information than is reported in the external profit report of the business. GAAP are the point of departure for preparing the more informative financial statements and other internal accounting reports needed by business managers.

The “failing” of GAAP is *not* that these accounting rules are wrong for measuring profit, nor are they wrong for presenting the financial condition of a business—not at all. It’s just that GAAP do not deal with presenting financial information to managers. In fact, much of this management information is very confidential and would never be included in an external financial report open to public view.

Let me strongly suggest that you personalize every example in the book. Take the example as your own business; imagine that you are the owner or the top-level manager of the business, and that you will reap the gains of every decision or suffer the consequences, as the case may be.

If you would like a copy of my Excel workbook file of all the figures in the book contact me at my e-mail address: [tracyj@colorado.edu](mailto:tracyj@colorado.edu).

As usual, the editors at John Wiley were superb. Likewise, the eagle-eyed copy editors at North Market Street Graphics polished my prose to a much smoother finish. I would like to mention that John Wiley & Sons has been my publisher for more than 25 years, and I'm very proud of our long relationship.

*John A. Tracy*  
Boulder, Colorado  
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